

**VIRGINIA PUBLIC SCHOOL AUTHORITY
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2002**



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February 21, 2003

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Kevin G. Miller,
Chairman, Joint Legislative Audit
and Review Commission

Board of Commissioners
Virginia Public School Authority

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying basic financial statements of the **Virginia Public School Authority**, a component unit of the Commonwealth of Virginia as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Public School Authority as of June 30, 2002, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2002.

The *Management's Discussion and Analysis* on pages four through seven is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Virginia Public School Authority. The Detail of Long-term Indebtedness, 1987 Resolution Income Coverage, and 1991 Resolution Income Coverage schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The Detail of Long-term Indebtedness, 1987 Resolution Income Coverage, and 1991 Resolution Income Coverage schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

AUDITOR OF PUBLIC ACCOUNTS

LAM:whb
whb:38

MANAGEMENT'S DISCUSSION AND ANALYSIS

VIRGINIA PUBLIC SCHOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF JUNE 30, 2002

This section of the Virginia Public School Authority's (the Authority) annual financial report presents an analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2002. The reader should consider this information in conjunction with the information contained in the financial statements, which follow this section.

Authority Activities and Highlights

The Virginia Public School Authority, created by Chapter 11, Title 22.1, Code of Virginia, 1950, as amended, provides financing to localities under the pooled bond program through the sale of its bonds. With the proceeds of its bond issues, the Authority purchases a "pool" of general obligation bonds from localities ("Local Issuers"). Each Local Issuer uses the proceeds for the purpose of financing capital projects for public schools.

The Authority issues bonds for its pooled bond program under different bond resolutions. The Authority currently has bonds outstanding under the (1) 1987 Resolution; (2) 1990 Insured Resolution; (3) 1991 Resolution; and (4) 1997 Resolution. The 1997 Resolution, adopted on October 23, 1997, currently serves as the primary instrument under which the Authority issues bonds under its pooled bond program. The 1997 Resolution bonds are secured by general obligation local school bonds purchased; the State Aid Intercept Provision; and, a sum sufficient appropriation, first from available Literary Fund monies and then from the Commonwealth's General Fund. During the fiscal year, the Authority issued \$295,410,000 under its pooled bond program.

In addition to its pooled bond program, the Authority also issues special obligation bonds under its stand-alone program. Bonds issued under the stand-alone program are secured solely by the local school bonds purchased from one or more specific localities. The Authority acts as a conduit issuer under the stand-alone program. The Authority also issues obligations to finance technology equipment purchases for local public school systems within the Commonwealth. These obligations are payable from, or otherwise secured by, the assets and income of the Literary Fund and now benefit from a sum sufficient appropriation from the Commonwealth's General Fund. The Authority issued \$419,060 in special obligation bonds during the fiscal year and \$55,555,000 under the educational technology equipment note program.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Authority's basic financial statements, which are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The Authority is not required to present government-wide financial statements because all of its activity is reported in an enterprise fund, which would not change in measurement focus (economic resources) or basis or accounting (accrual) for government-wide statements.

The financial statements of the Authority offer short- and long-term financial information about its activities. The Statement of Net Assets provides information about the nature and amounts of the Authority's cash, investments and receivables (assets) and its obligations to creditors (liabilities). The Statement of Revenues, Expenses, and Changes in Fund Net Assets reports all of the current year's revenues and expenses. This statement measures whether the Authority successfully recovered all its costs through investment earnings, bond proceeds, appropriations from the Commonwealth and the collection of receivables. The Statement of Cash Flows provides information on the Authority's cash receipts, cash payments and net changes in cash resulting from operations, investing and financial activities. It also provides insight regarding where cash came from, what it was used for, and how it changed during the reporting period.

Financial Analysis of the Authority

The Authority provides a vehicle for financing capital projects for primary and secondary public schools in the Commonwealth's counties, cities and towns. On local school bonds held by the Authority, localities pay interest 10 basis points (0.10 percent) above the rates paid by the Authority on corresponding maturities of its bonds. This revenue goes to the Authority's general fund and pays the operating costs attributable to its financing programs, including costs of issuance and administration, such as rebate compliance expenses. The Department of the Treasury provides staff support for the Authority. The Authority owns no capital assets.

Virginia Public School Authority's Net Assets (in millions)

	<u>Enterprise Fund</u>	
	<u>2002</u>	<u>2001</u>
Current assets	\$ 32	\$ 4
Noncurrent assets	<u>2,773</u>	<u>2,549</u>
Total assets	<u>2,805</u>	<u>2,553</u>
Current liabilities	315	280
Noncurrent liabilities	<u>2,464</u>	<u>2,247</u>
Total liabilities	<u>2,779</u>	<u>2,527</u>
Net assets:		
Restricted for debt service	24	22
Unrestricted	<u>2</u>	<u>4</u>
Total net assets	<u>\$ 26</u>	<u>\$ 26</u>

Total assets increased during the year by \$252 million, or ten percent as did the liabilities and accordingly, there is no change in net assets.

Virginia Public School Authority's Changes in Net Assets
(in millions)

	<u>Enterprise Fund</u>	
	<u>2002</u>	<u>2001</u>
Revenues:		
Interest on bonds and loans	\$118	\$109
Investment earnings	<u>6</u>	<u>8</u>
Total revenues	<u>124</u>	<u>117</u>
Expenses:		
Interest on long-term debt	113	103
Other	<u>4</u>	<u>3</u>
Total expenses	<u>117</u>	<u>106</u>
Transfers	<u>(7)</u>	<u>(9)</u>
Increase in net assets	-	2
Net assets July 1, 2001	<u>26</u>	<u>24</u>
Net assets July 30, 2002	<u>\$ 26</u>	<u>\$ 26</u>

Debt Administration

As a financing entity, the whole business of the Authority is debt administration. The Authority issues bonds, pursuant to its pooled bond programs, to finance capital projects approved by the local governing bodies of counties, cities, and towns of the Commonwealth of Virginia. Securing these bonds are general obligation bonds of the participating local issuers, which provide payment of principal and interest when due. Obligations issued in conjunction with the Board of Education pursuant to the technology notes programs are paid and secured by appropriations from the Literary Fund. The following table summarizes bond issuance activity during the year under each program.

Summary of Authority Bond Obligations
(in millions)

	<u>Outstanding at July 1, 2001</u>	<u>Issued During Year</u>	<u>Retired During Year</u>	<u>Outstanding at June 30, 2002</u>
Pooled bond programs	\$ 1,817	\$ 295	\$ (123)	\$ 1,989
Technology notes programs	141	56	(46)	151
Special obligation bonds	<u>144</u>	<u>-</u>	<u>(18)</u>	<u>126</u>
Total	<u>\$ 2,102</u>	<u>\$ 351</u>	<u>\$ (187)</u>	<u>\$ 2,266</u>

The Authority obtains bond ratings from Moody's Investors Service (Moody's), Standard and Poor's Rating Service (S&P) and Fitch Ratings, Inc. (Fitch). The following table summarizes the ratings on outstanding Authority bonds.

Virginia Public School Authority Bond Ratings

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Pooled Bond Programs ¹	Aa1	AA+	AA+
School Equipment Financing Notes	Aa2	AA	AA+
School Educational Technology Notes	Aa1	AA+	AA+

¹1997 Resolution Bonds

Because the Authority's bond programs are either backed by state appropriations (Educational Technology Equipment Programs) or carry the credit support of the State Aid Intercept Provision (Pooled Bond Program), the bond ratings are a direct reflection of the Commonwealth's triple-A rating from each of the three rating agencies.

Future Impact to Financial Position

In November 2002, the Authority issued \$155.5 million of School Financing Bonds (1997 Resolution) Series 2002 B to purchase certain general obligation local school bonds to finance capital projects for public schools.

FINANCIAL STATEMENTS

VIRGINIA PUBLIC SCHOOL AUTHORITY
STATEMENT OF NET ASSETS
ENTERPRISE FUND
As of June 30, 2002

ASSETS	
Current assets:	
Short-term investments (Note 2)	\$ 1,470,670
Interest receivable	17,005
Accounts receivable	891
Restricted short-term investments (Note 2)	<u>30,030,371</u>
Total current assets	<u>31,518,937</u>
Noncurrent assets:	
Restricted cash and cash equivalents (Note 2)	83,696,953
Restricted long-term investments (Note 2)	52,096,472
Loans to Localities:	
Local school bonds (Note 3)	2,043,268,762
Literary Fund loan obligations (Note 3)	395,926,964
Interest receivable	44,590,233
Due from Literary Fund (Note 5)	151,195,000
Discount on bonds sold	<u>2,434,537</u>
Total noncurrent assets	<u>2,773,208,921</u>
Total assets	<u>2,804,727,858</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>13,778</u>
Current liabilities payable from restricted assets:	
Interest payable	46,192,951
Accrued interest sold	752,621
Due to Literary Fund	22,478,356
Due to localities (Note 5)	65,278,409
Notes payable (Notes 4 and 5)	44,880,000
Bonds payable (net of interest deferral) (Notes 4 and 7)	135,481,000
Premium on bonds sold	<u>418,333</u>
Total current liabilities payable from restricted assets	<u>315,481,670</u>
Noncurrent liabilities payable from restricted assets:	
Notes payable (Notes 4 and 5)	106,315,000
Bonds payable (net of interest deferral) (Notes 4 and 7)	1,955,004,360
Premium on bonds sold	6,302,146
Advance from Literary Fund	<u>395,926,964</u>
Total noncurrent liabilities payable from restricted assets	<u>2,463,548,470</u>
Total liabilities	<u>2,779,043,918</u>
NET ASSETS	
Restricted for debt service	24,209,152
Unrestricted	<u>1,474,788</u>
Total net assets	<u>\$ 25,683,940</u>

The accompanying notes to the financial statements are an integral part of this statement.

VIRGINIA PUBLIC SCHOOL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
For the Year Ended June 30, 2002

Revenues:	
Interest on:	
Local School Bonds	\$ 105,829,725
Literary Fund loans	11,412,663
Cash and cash equivalents and investments	5,892,801
Premium on bonds sold	533,773
Net decrease in fair value of investments	(247,007)
Rebate and penalty payments received from localities (Note 9)	91,915
Other	6,145
	<hr/>
Total Revenues	123,520,015
	<hr/>
Operating Expenses:	
Interest on bonds	113,474,095
Financial advisor fees	121,482
Legal fees	373,010
Bond rating fees	160,617
Printing and electronic distribution	26,057
Board expenses	2,476
Staffing expenses	108,241
Underwriters' discount	534,209
Rebate and penalty payments and calculation fees (Note 9)	2,151,561
Collateral custody and valuation fees	17,334
Other	43,994
	<hr/>
Total Operating Expenses	117,013,076
	<hr/>
Operating Income	6,506,939
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Nonoperating Transfers:	
Transfers to Literary Fund (Note 8)	(6,140,348)
Transfer to the General Fund of the Commonwealth (Note 8)	(637,000)
	<hr/>
Total Nonoperating Transfers	(6,777,348)
	<hr/>
Net Loss	(270,409)
	<hr/>
Net Assets, June 30, 2001	25,954,349
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Net Assets, June 30, 2002	\$ 25,683,940
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The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA PUBLIC SCHOOL AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2002

Cash flows from operating activities:	
Interest on cash equivalents	\$ 395,496
Principal received on Literary Fund loans	33,350,870
Interest received on Literary Fund loans	11,412,663
Purchase of local school bonds	(295,828,664)
Principal received on local school bonds	121,571,877
Interest received on local school bonds	99,790,622
Payments to vendors for goods and services	(850,662)
Payments received from the Literary Fund	51,986,685
Other operating revenues	5,575
	<hr/>
Net cash provided by operating activities	21,834,462
	<hr/>
Cash flows from non-capital financial activities:	
Proceeds from the sale of bonds	351,384,060
Principal paid on VPSA bonds	(172,405,000)
Interest paid on VPSA bonds	(105,223,542)
Premium on bonds sold	3,358,273
Underwriters' discount	(551,986)
Rebate Calculation Fees	148,101
Accrued interest sold	(15,010)
Transfers to the Literary Fund	(44,918,738)
Transfer to the General Fund of the Commonwealth (Note 7)	(637,000)
Payments to localities (Education Technology Notes)	(39,829,427)
Rebate and penalty payments to the Internal Revenue Service	(2,151,561)
	<hr/>
Net cash provided from noncapital financing activities	(10,841,830)
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Cash flows from investing activities:	
Purchase of investment securities	(31,121,242)
Proceeds from sale and maturities of investments	28,637,627
Interest on investments	5,770,566
Decrease in fair value of cash equivalents	(40,761)
	<hr/>
Net cash used in investing activities	3,246,190
	<hr/>
Net increase in cash and cash equivalents	14,238,822
	<hr/>
Cash and cash equivalents, June 30, 2001	69,458,131
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Cash and cash equivalents, June 30, 2002	\$ 83,696,953
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VIRGINIA PUBLIC SCHOOL AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2002

Reconciliation of operating income to net cash provided

by operating activities:

Operating income	\$ 6,506,939
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Adjustments to reconcile operating income to net cash

provided by operating activities:

Decrease in accounts receivable	10,266
Increase in interest receivable	(5,347,503)
Increase in accounts payable	1,273
Increase in interest payable	4,691,885
Rebate and penalty payments received from localities	(103,062)
Payments from the Literary Fund	51,986,685
Principal received on Literary Fund loans	33,350,870
Principal received on local school bonds	121,571,877
Purchase of local school bonds	(295,828,664)
Rebate and penalty payments to the Internal Revenue Service	2,151,561
Amortization of discount	286,867
Amortization of premium	(418,339)
Underwriters' discount	534,209
Premium on bonds sold	(533,773)
Amortization of interest deferral	3,273,388
Interest paid on VPSA bonds	105,223,542
Decrease in fair value of investments	247,007
Interest on investments	(5,770,566)

Total adjustments	15,327,523
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Net cash provided by operating activities	\$ 21,834,462
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The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

VIRGINIA PUBLIC SCHOOL AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Virginia Public School Authority (the “Authority” or “VPSA”) was created by Chapter 11, Title 22.1, Code of Virginia 1950, as amended (the “Enabling Act”). The Authority provides financing to localities through the sale of its bonds. With the proceeds of its bonds, the Authority purchases a predetermined number of general obligation bonds issued by localities. The Enabling Act provides that the Authority shall manage and administer all Literary Fund moneys and obligations transferred to the Authority pursuant to law, and it authorizes the Authority to purchase local school bonds issued by counties, cities, and towns under the provisions of Section 15.2-2600, et seq., Code of Virginia (the “Public Finance Act of 1991”). The Enabling Act further authorizes the Authority to issue bonds which are payable from the funds of the Authority including:

1. principal and interest received on local school bonds held by the Authority;
2. proceeds from the sale of such local school bonds;
3. principal and interest received on Literary Fund loan obligations transferred to the Authority;
4. proceeds from the sale of such Literary Fund loan obligations;
5. any moneys transferred from the Literary Fund or funds appropriated from the General Assembly; and
6. a reserve fund(s) created from bond proceeds pledged to secure designated bonds.

The Authority issues bonds for its pooled bond program under different bond resolutions. Prior to August 1987, the Authority issued bonds for its pooled bond program under provisions of a bond resolution adopted in 1963 (the “1963 Resolution”). In August 1987, the Authority adopted the 1987 Resolution under which subsequent pooled bonds have been issued. Under the provision of the 1963 Resolution and 1987 Resolution, bonds issued thereunder are secured by the local school bonds purchased and payments received on Literary Fund loan obligations held in the VPSA 1987 Reserve Fund. In June 1993, all outstanding 1963 Resolution bonds were defeased. In September 1993, the VPSA Board temporarily suspended issuance of bonds under the 1987 Resolution until Literary Fund loan note transfers resume, thereby maintaining debt service coverage at levels deemed acceptable by the Authority.

In recent years, the Authority has developed alternatives to the 1987 Resolution. The Authority has created and issued pooled bonds under its 1990 Insured Resolution, 1991 Resolution and 1997 Resolution. Bonds issued under the 1991 Resolution are secured by local

school bonds purchased and a debt service reserve account. The Authority is limited by statute to no more than \$800 million in bonds outstanding at any one time which utilize a debt service reserve account backed by a moral obligation of the Commonwealth of Virginia to restore deficiencies therein.

On October 23, 1997, the Authority adopted the 1997 Resolution to supplant the Authority's 1991 Resolution. Bonds issued under the 1997 Resolution are secured by local school bonds purchased and a "sum sufficient appropriation," first from available Literary Fund monies and then from the Commonwealth's General Fund.

In addition to its pooled bond program, the Authority also issues special obligation bonds under its stand-alone program. Bonds issued under the stand-alone program are secured solely by the local school bonds purchased from one or more specific localities. The Authority acts as a conduit issuer under the stand-alone program.

The Authority has also issued obligations to finance technology equipment purchases for local public school systems within the Commonwealth. These obligations are payable from, or otherwise secured by, the assets and income of the Literary Fund.

A separate report is prepared for the Commonwealth of Virginia which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Authority is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The accounting and reporting policies of the Authority conform to generally accepted accounting principles applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Authority's more significant policies.

B. Basis of Accounting

The accompanying financial statements are reported on the accrual basis of accounting under which revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The cash basis of accounting is used during the year. The financial statements are prepared on the accrual basis at the end of the fiscal year by the Authority.

C. Fund Accounting

The activities of the Authority are accounted for in an enterprise fund, used to account for governmental operations that are financed and operated in a manner similar to private business enterprises. Enterprise fund accounting is used where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate. All fund accounts of the Authority are presented in total on the financial statements.

D. Bond Issuance Costs, Discounts and Premiums

Costs associated with issuing debt, which are either offset by fees collected over the life of the respective pooled bond issues from local issuers, reimbursed directly by localities participating in stand alone issues, or paid from Literary Fund contributions, are expensed in the year incurred. The original issue discount or premium for each bond issuance is also expensed or recorded as revenue in the year incurred unless it exceeds 1 percent of the amount of bonds issued. In that case, the original issue discount or premium is deferred and amortized, on a straight-line basis, over the life of the outstanding debt.

E. GASB Statement No. 34 Implementation

The Authority has implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The primary impact of the implementation of this statement is a change in the presentation format of the financial statements; the presentation of Management’s Discussion and Analysis as required supplementary information; and certain note disclosures.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Unrestricted and Restricted)

Cash and investments of the Authority are held by the Treasurer of Virginia. Cash is defined as demand deposits, time deposits and certificates of deposit in accordance with Section 2.2-4400 of the Code of Virginia. Cash equivalents are defined as investments with an original maturity of less than three months. Short-term investments are investments with maturities of one year or less. Long-term investments have maturities of over one year.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amount insured by the FDIC must pledge collateral that ranges in amounts from 50 percent to 100 percent of excess deposits in the case of a bank and 100 percent to 110 percent for a savings institution to a collateral pool in the name of the Commonwealth of Virginia Treasury Board. Accordingly, all deposits are considered fully collateralized.

Section 2.2-4500 and Section 2.2-4501 of the Code of Virginia outline the instruments in which public sinking funds and other public funds may legally invest. The Authority adheres to these general guidelines unless bond resolutions require more restrictive investment policies. All investments of the Authority are held in the Authority’s name. With the exception of flexible repurchase agreements, the Authority’s investments are valued at fair value, which approximates market value. The flexible repurchase agreements are considered to be nonparticipating investment contracts, and as such, are valued at cost. Details of cash, cash equivalents, and investments are presented on the following page.

Summary of Cash, Cash Equivalents and Investments
June 30, 2002

	<u>Carrying Amount</u>	<u>Fair Value</u>
Short Term Investment Fund ¹	\$ 15,323,826	\$ 15,323,826
State Non-Arbitrage Program ^{sm 2}	<u>68,373,127</u>	<u>68,373,127</u>
Total cash and cash equivalents	<u>\$ 83,696,953</u>	<u>\$ 83,696,953</u>
Short-term investments:		
U.S. Government Securities	\$ 29,229,820	\$ 29,371,706
Flexible Repurchase Agreements ³	1,774,785	1,774,785
Certificate of Deposit	<u>354,550</u>	<u>354,550</u>
Total short-term investments	<u>\$ 31,359,155</u>	<u>\$ 31,501,041</u>
Long-term investments:		
U.S. Government Securities	\$ 1,001,875	\$ 1,004,031
Flexible Repurchase Agreements ³	<u>51,092,440</u>	<u>51,092,441</u>
Total long-term investments	<u>\$ 52,094,315</u>	<u>\$ 52,096,472</u>

1. The Authority invests certain short-term cash balances held within its accounts in the JP Morgan Treasury Plus Money Market Fund. This is a rated fund, which maintains a policy of investing all assets in U.S. Treasury obligations and repurchase agreements backed by those obligations.
2. The Virginia State Non-Arbitrage Programsm ("SNAPsm") offers a professionally-managed money market mutual fund, which provides issuers with a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculation services. SNAPsm is an external investment pool registered under the Investment Company Act of 1940, as amended. Participants in the Authority's various bond programs are required to invest their bond proceeds in SNAPsm.
3. The Authority has eight series of 1991 Resolution bonds outstanding with the debt service reserve accounts invested in flexible repurchase agreements. The outstanding flexible repurchase agreements are with MBIA Investment Management Corp. (5) and Bayerische Landesbank Girozentrale (3). The flexible repurchase agreements provide fixed investment rate earnings, are held by a collateral trustee and provide scheduled cash flow to provide partial payment of debt service payments. The Series 1997 A dated April 10, 1997, was the final series issued under the 1991 Resolution with the final maturity on August 1, 2018, when the final flexible repurchase agreement (with MBIA) will be liquidated.

3. LOCAL SCHOOL BONDS AND LITERARY FUND LOAN OBLIGATIONS

The Authority purchases bonds from (makes loans to) various localities throughout the Commonwealth which are issued to finance the construction of local public school facilities. These bonds are recorded at purchase price that is equal to the face value of the bonds. Local school bonds purchased under the 1987, 1990 Insured, and 1991 Resolutions are held in the purchase fund established under the respective pooled bond resolution. Local school bonds purchased under the 1997

Resolution are held in a pledge account of the General Pledge Fund established under its bond resolution. Local school bonds purchased under the stand-alone program are deposited in separate purchase funds established for each issue. Assets of the Authority that are held or received in purchase funds, pledge funds, or debt service funds are classified as restricted assets because their use is limited to the purpose of the funds in which they reside, in accordance with applicable bond resolutions. The local school bonds are held and pledged to repay the Authority's bonds.

The interest rates on the local school bonds are determined by the Authority and fixed at the time of sale of the Authority bonds issued to fund the acquisition of the local school bonds. For pooled bond sales, the interest rate on each maturity of the local bonds is ten basis points (0.10 percent) higher than the interest rate paid by the Authority on the corresponding maturity on its bonds.

Other loans to localities held by the Authority consist of Literary Fund loan obligations, which are recorded at face value. Literary Fund loan obligations are transferred to the Authority semiannually on January 1st and July 1st. Interest rates charged on Literary Fund loans are established by the State Board of Education. Section 22.1-170 of the Code of Virginia provides that Literary Fund loan obligations remain an asset of the Literary Fund but may be used by the Authority as if such assets were the property of the Authority. Accordingly, these assets are reflected as being due to the Literary Fund.

Shown below are the local school bonds and Literary Fund loan obligations held by the Authority as of June 30, 2002.

Local school bonds:

Held in 1987 Purchase Fund	\$ 277,920,000
Held in 1990 Insured Purchase Fund	16,875,000
Held in 1991 Purchase Fund	390,134,099
Held in 1993 Purchase Fund	
(Henrico County Stand Alone)	19,200,000
Held in 1994 Purchase Fund	
(York County Stand Alone)	4,395,000
Held in 1995 Purchase Fund	
(Chesapeake, City of, Stand Alone)	100,000,000
Held in 1997 Pledge Account	1,232,575,603
Held in 1999 Purchase Fund	
(Northampton County Qualified Zone Academy Bond	1,750,000
Held in 2001 Purchase Fund	
(Northampton County Qualified Zone Academy Bond)	<u>419,060</u>

Total local school bonds	<u><u>\$ 2,043,268,762</u></u>
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Literary Fund loan obligations:

Held in 1987 Reserve Fund	<u><u>\$ 395,926,964</u></u>
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4. LONG-TERM INDEBTEDNESS

A. Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2002.

	<u>Current Liability</u>	<u>Long-Term Liability</u>	<u>Total</u>
Balance July 1, 2001	\$ 172,405,000	\$ 1,930,065,000	\$ 2,102,470,000
Issued during fiscal 2002	18,150,000	333,234,060	351,384,060
Retired during fiscal 2002	(172,405,000)	-	(172,405,000)
Defeased during fiscal 2002	-	(14,860,000)	(14,860,000)
Maturing fiscal 2003	<u>165,440,000</u>	<u>(165,440,000)</u>	<u>-</u>
Subtotal	183,590,000	2,082,999,060	2,266,589,060
Less: Deferral on debt defeasance	<u>(3,229,000)</u>	<u>(21,679,700)</u>	<u>(24,908,700)</u>
Balance June 30, 2002	<u>\$ 180,361,000</u>	<u>\$ 2,061,319,360</u>	<u>\$ 2,241,680,360</u>

B. Annual Requirements to Amortize Bonds Payable and Notes Payable

The following schedule provides the annual funding requirements necessary to amortize long-term debt of the Authority outstanding at June 30, 2002.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 183,590,000	\$ 114,148,489	\$ 297,738,489
2004	181,650,000	104,650,360	286,300,360
2005	177,640,000	95,523,466	273,163,466
2006	163,220,000	86,490,110	249,710,110
2007	149,405,000	78,130,210	227,535,210
2008-2012	649,410,000	282,762,110	932,172,110
2013-2017	493,804,060	129,670,168	623,474,228
2018-2022	248,170,000	29,418,450	277,588,450
2023-2027	<u>19,700,000</u>	<u>1,893,000</u>	<u>21,593,000</u>
Subtotal	2,266,589,060	922,686,363	3,189,275,423
Less deferral on debt defeasance	<u>(24,908,700)</u>	<u>-</u>	<u>(24,908,700)</u>
Total	<u>\$ 2,241,680,360</u>	<u>\$ 922,686,363</u>	<u>\$ 3,164,366,723</u>

5. EQUIPMENT NOTES

In March 1998, the Authority issued \$46,925,000 School Equipment Financing Notes Educational Technology Issue V (the “1998 Notes”). In May 2000, the Authority issued \$66,380,000 School Equipment Financing Notes Educational Technology Issue VI (the “2000 Notes”). In May 2001, the Authority issued \$55,765,000 School Equipment Financing Notes Educational Technology Series I (the “2001 Notes”). In May 2002, the Authority issued \$55,555,000 School Equipment Financing Notes Educational Technology Series II (the “2002 Notes”). The proceeds of each issue were used to make grants to school divisions for the purchase of educational technology equipment. The proceeds are invested in the Virginia State Non-Arbitrage Program until requisitioned by localities. As of June 30, 2002, the amount remaining to be requisitioned by localities is \$1,588 for the 1998 Notes, \$882,974 for the 2000 Notes, \$15,416,749 for the 2001 Notes and \$48,977,098 for the 2002 Notes. Notes outstanding as of June 30, 2002 are \$151,195,000.

The notes are to be repaid in the first instance from appropriations to be made by the Virginia General Assembly from the Literary Fund. The appropriation act states that it is the intent of the legislature to appropriate Literary Fund revenues for all future debt service on the Notes. Other provisions of the appropriation act direct the Board of Education in developing its future budgets to recommend to the Governor inclusion of Literary Fund revenues sufficient to pay such debt service. In addition, the appropriation act provides appropriations from the General Fund of the Commonwealth in the event and to the extent that available moneys in the Literary Fund are less than the appropriations for debt service due on the Notes. The appropriation act further provides that the Chairman of the Authority is to submit annually estimates of future debt service requirements on the Notes to the Governor and that the Governor’s annual budget submission is to include provisions for payment of such debt service from the general fund.

6. QUALIFIED ZONE ACADEMY BOND

On October 29, 1999, the Authority issued \$2,100,000 in Special Obligations School Financing Bond (County of Northampton Qualified Zone Academy Financing) Series of 1999 as a Qualified Zone Academy Bond (“QZAB”). Also, on December 21, 2001, the Authority issued \$419,060 in Special Obligations School Financing Bond (County of Northampton Qualified Zone Academy Financing) Series 2001 as a QZAB. Both bonds were issued pursuant to Section 1297E of the Internal Revenue Code of 1986, as amended, and the Authority purchased certain general obligation school bonds of Northampton County to finance capital projects for public schools.

Northampton County will make annual principal payments to the Authority on the anniversary date of each issuance. Such payments received by the Authority will be held in trust and invested in a Wachovia Bank certificate of deposit maturing on the next anniversary date in accordance with the funding agreement. The agreement provides that maturing certificate of deposit proceeds will be combined with the current annual payment and reinvested to the next anniversary date. The final annual principal payment on the 1999 QZAB is due October 29, 2011, at which time the QZAB will mature. The final annual payment on the 2001 QZAB is due on December 21, 2015, at which time the QZAB will mature.

7. DEFEASANCE OF DEBT

In 1987, 1991, 1993, 1997, and 1998 the Authority issued refunding bonds to defease bonds issued under the 1963, 1987, 1990 Insured, and 1991 Resolutions. These refundings placed the proceeds of the new bonds in irrevocable trusts with escrow agents to provide for all future debt service on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the Authority's financial statements.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," the difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is amortized as a component of Interest on Bonds over the remaining life of the refunded debt. Therefore, Bonds Payable has been reduced by \$24,908,700 to reflect the remaining deferral on debt defeasance at June 30, 2002.

Additionally, in 1996, the Authority used \$1,508,852 of available funds held in the 1987 General Fund to defease portions of certain maturities of the School Financing Bonds (1987 Resolution) 1992 Series B in the amount of \$1,475,000. These funds were placed in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. Accordingly, the liability for the defeased bonds is not included on the Authority's financial statements.

In November 2001, York County issued bonds to refund certain of the callable maturities of the York County's \$25,000,000 General Obligation School Bonds, Series 1994. The proceeds were placed in an irrevocable trust with an escrow agent to pay debt service on the advance refunded local school bonds and the Authority's corresponding Special Obligation School Financing Bonds, York County Series 1994, totaling \$14,860,000. These bonds were advance refunded to their earliest call date.

At June 30, 2002, \$83,625,000 of bonds outstanding is considered defeased for financial reporting purposes.

8. TRANSFERS

The Enabling Act provides that the 1987 Reserve Fund balance, other than that portion which comprises the Literary Fund loans, shall be transferred to the Literary Fund on or before January 10th of each year. During the year ended June 30, 2002, \$44,818,038, comprised of \$12,375,655 of interest on Literary Fund loan obligations and short-term investments, and \$32,442,383 of loan principal repayments, was transferred to the Literary Fund from the 1987 Reserve Fund.

The Enabling Act also requires transfers from the Literary Fund to the VPSA 1987 Reserve Fund each January 1st and July 1st. Thirteen Literary Fund loan obligations totaling \$51,266,345 were transferred on July 1, 2001 and seventeen Literary Fund loan obligations totaling \$43,096,871 were transferred on January 1, 2002. Also transferred from the Literary Fund to the VPSA were amounts required to pay debt service on the various outstanding Equipment Notes.

In June 2002, the Authority transferred \$637,000 to the General Fund of the Commonwealth pursuant to Section 3-3.01 of Chapter 814 of the 2002 Virginia Acts of Assembly. Also in

February 2002, the Authority transferred \$100,700 to the Literary Fund representing cumulative annual savings for 1999, 2000, and 2001 allocable from the refunding of the interest rate subsidy component of the (1991 Resolution) Series 1994 B Bonds.

9. ARBITRAGE EARNINGS

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. The Authority and the issuers of local school bonds purchased by the Authority must comply with the rebate regulations in order for the Authority's bonds to maintain a tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with the bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield to be rebated to the federal government.

Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least every five years over the life of the bonds. Some Authority bonds may be exempt from the rebate requirement if they meet statutory exceptions per the rebate regulations. The Authority may also elect, on or before the date of the bond issue, to pay a penalty in lieu of rebate if it does not meet certain expenditure schedules. If such an election is made and if the Authority (local issuer) meets the expenditure schedule, the Authority (local issuer) retains any arbitrage earnings. The Authority, to date, has not elected penalty in lieu of rebate due to the difficulty in estimating local issuers' expenditure schedules. Rebate and penalty payments are calculated and paid by the Authority as required by law on bond issues that do not meet the statutory exceptions. Rebate installments must be paid no later than 60 days after the computation date.

In most cases, rebate liability is payable by local issuers whose local school bonds were purchased by the Authority. During the year, the Authority's rebate calculation agent, or the locality's rebate calculation agent in the case of special obligation stand alone bonds, calculate rebate liability or penalty in lieu of rebate if selected by a locality.

The Authority paid liability, if applicable, on the following bond issues:

Bond Issue	Computation		Liability
	Initial 5 Year or Final	Computation Date	
(91 Resolution) Series 1991 B	Final*	8/1/2001	\$ -
(91 Resolution) Series 1996 B	Initial 5 year	11/1/2001	890,032
(87 Resolution) Series 1991 B	5 year	11/1/2001	-
(87 Resolution) Series 1991 C	5 year	12/23/2001	-
Equipment Notes Series 1997	Final	5/1/2002	568,130
(91 Resolution) Series 1997 A	5 year	5/1/2002	576,137

* Reports prepared as of the final redemption of the bonds

The Authority paid \$117,263 to its rebate calculation agent for services provided in connection with the above rebate calculations.

The VPSA School Financing Bonds (1991 Resolution) Series 1992, the VPSA School Financing Bonds (1997 Resolution) Series 1997-I, and VPSA School Financing Bonds (1987 Resolution) 1992 Series B required rebate computations as of August 1, 2002, November 1, 2002, and December 17, 2002, respectively. The VPSA School Financing Bonds Series 1992 and 1992 B rebate computations were received on October 18, 2002 and February 4, 2003, respectively, and there was no rebate liability owed. The Series 1997-I rebate computation was received on December 18, 2002 and the liability was \$217,651.

10. SUBSEQUENT EVENTS

In November 2002, the Authority issued \$155.5 million of School Financing Bonds (1997 Resolution) Series 2002 B to purchase certain general obligation local school bonds to finance capital projects for public schools.

11. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Department of Treasury participates in insurance plans maintained by the Commonwealth of Virginia on behalf of the Authority. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Department of Treasury pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

SUPPLEMENTARY INFORMATION

VIRGINIA PUBLIC SCHOOL AUTHORITY
SUPPLEMENTARY INFORMATION
DETAIL OF LONG-TERM INDEBTEDNESS

June 30, 2002

(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series

	Dated Date	Bond Resolution	True Interest Cost ("TIC")	Amount Issued *	Local School Bonds Purchased	Outstanding July 1, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Original Maturity
1991 Series B	11/01/91	1987	6.12%	\$ 55,105	\$ 55,105	\$ 6,070	\$ (3,330)	\$ 2,740	01/01/12
1991 Series C Refunding Bonds	12/01/91	1987	6.25%	127,285	-	67,140	(14,970)	52,170	01/01/09
1992 Series B	12/01/92	1987	5.75%	60,460	60,460	32,535	(3,290)	29,245	01/01/13
1993 Series A	04/01/93	1987	5.21%	45,710	45,710	27,170	(2,330)	24,840	01/01/13
1993 Series C	10/01/93	1987	4.62%	80,135	80,135	37,650	(5,230)	32,420	01/01/14
1993 Series Henrico County	05/15/93	Stand Alone	5.20%	32,000	32,000	20,800	(1,600)	19,200	07/15/13
1993 Series B Refunding Bonds	05/01/93	1987	5.16%	293,160	-	161,525	(16,335)	145,190	01/01/12
1993 Series Refunding Bonds	07/01/93	1990 Insured	5.29%	24,080	-	20,025	(1,880)	18,145	08/01/10
Series 1994 A	04/01/94	1991	6.07%	115,425	104,045	79,010	(5,655)	73,355	08/01/14
1994 Series York County	07/01/94	Stand Alone	5.76%	25,000	25,000	20,210	(15,815)	4,395	07/15/14
Series 1995 A	05/01/95	1991	5.64%	63,595	57,460	48,675	(3,065)	45,610	08/01/16
1995 Series Chesapeake City	06/01/95	Stand Alone	5.63%	102,000	102,000	101,000	(1,000)	100,000	06/01/15
Series 1995 B	09/01/95	1991	5.60%	26,070	23,620	20,000	(1,245)	18,755	08/01/16
Series 1995 C	12/01/95	1991	5.10%	121,610	110,528	94,240	(5,665)	88,575	08/01/16
Series 1996 A	04/15/96	1991	5.45%	49,205	44,555	40,050	(2,370)	37,680	08/01/17
Series 1996 B	11/01/96	1991	5.20%	132,545	120,396	107,915	(6,410)	101,505	08/01/17
Series 1997A	04/01/97	1991	5.49%	92,175	83,325	80,255	(4,100)	76,155	08/01/18
Series 1997 Ed Tech Issue IV	02/15/97	Equip. Notes	4.17%	55,910	-	12,180	(12,180)	-	04/01/02
Series 1997 I	11/01/97	1997	4.92%	224,285	140,818	194,700	(13,420)	181,280	08/01/17
Series 1998 Ed Tech Issue V	02/15/98	Equip. Notes	4.04%	46,925	-	19,865	(9,735)	10,130	04/01/03
Series 1998 A	04/01/98	1997	4.71%	130,715	50,730	111,930	(7,590)	104,340	08/01/18
Series 1998 B	11/01/98	1997	4.56%	105,025	105,311	94,555	(5,250)	89,305	08/01/18
Series 1999 A	05/01/99	1997	4.60%	153,040	153,040	146,035	(7,055)	138,980	08/01/19
Series 1999 B	11/01/99	1997	5.54%	91,770	91,770	87,105	(4,700)	82,405	08/01/19
Series 1999 QZAB, Northampton County	10/29/99	Stand Alone	0.00%	2,100	2,100	2,100	-	2,100	10/29/11
Series 2000 A	05/01/00	1997	5.38%	100,175	100,175	100,175	(4,820)	95,355	08/01/20
Series 2000 Ed Tech Issue VI	05/01/00	Equip. Notes	5.12%	66,380	-	53,650	(12,445)	41,205	04/01/05

VIRGINIA PUBLIC SCHOOL AUTHORITY
SUPPLEMENTARY INFORMATION
DETAIL OF LONG-TERM INDEBTEDNESS

June 30, 2002

(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series (continued)

	Dated Date	Bond Resolution	True Interest Cost ("TIC")	Amount Issued *	Local School Bonds Purchased	Outstanding July 1, 2001	Issued (Retired) During Year	Outstanding June 30, 2002	Original Maturity
Series 2000 B	11/01/00	1997	5.11%	106,200	106,197	106,200	(4,320)	101,880	08/01/20
Series 2001 A	05/01/01	1997	4.84%	153,940	153,940	153,940	-	153,940	08/01/21
Series 2001 Ed Tech Series I	05/01/01	Equip. Notes	3.53%	55,765	-	55,765	(11,460)	44,305	04/15/06
Series 2001 B	11/01/01	1997	4.87%	142,400	142,400	-	142,400	142,400	08/01/21
Series 2001 C	11/01/01	1997	4.87%	41,500	41,500	-	41,500	41,500	08/01/26
Series 2001 QZAB, Northampton County	12/21/01	Stand Alone	0.00%	419	419	-	419	419	12/21/15
Series 2002 A	05/01/02	1997	4.70%	111,510	111,510	-	111,510	111,510	08/01/22
Series 2002 Ed Tech Series II	05/01/02	Equip. Notes	2.94%	55,555	-	-	55,555	55,555	04/15/07
Total				\$ 3,089,174	\$ 2,144,249	\$ 2,102,470	\$ 164,119	\$ 2,266,589	

Detail of Long-Term Indebtedness by Resolution

	Amount Issued *	Local School Bonds Purchased	Outstanding July 1, 40,050	Issued (Retired) During Year	Outstanding June 30, 2002
1987 Resolution	661,855	241,410	332,090	(45,485)	286,605
1991 Resolution	600,625	543,929	470,145	(28,510)	441,635
1997 Resolution	1,360,560	1,197,391	994,640	248,255	1,242,895
Stand Alone Issues	161,519	161,519	144,110	(17,996)	126,114
Equipment Notes	280,535	-	141,110	9,735	151,195
1990 Insured Resolution	24,080	-	20,025	(1,880)	18,145
Total	\$ 3,089,174	\$ 2,144,249	\$ 2,102,120	\$ 164,119	\$ 2,266,589

* Includes refunding bonds issued.

VIRGINIA PUBLIC SCHOOL AUTHORITY
1987 RESOLUTION INCOME COVERAGE⁽¹⁾
As of June 30, 2002

Schedule of Total Income							Schedule of Total Debt Service ⁽⁴⁾				
Calendar Year	<u>Local School Bonds Held in 1987 Purchase Fund</u>			<u>Literary Fund Obligations Held In 1987 Reserve Fund(2)</u>			<u>1987 Resolution Bonds</u>				
	Principal	Interest	Total	Principal	Interest	Total	Total Income	Principal	Interest	Total Debt Service	Total Coverage ⁽³⁾
2002	\$ 39,875,000	\$ 17,965,713	\$ 57,840,713	\$ 17,924,892	\$ 6,611,433	\$ 24,536,325	\$ 82,377,038	\$ 42,420,000	\$ 15,364,965	\$ 57,784,965	1.43
2003	40,085,000	15,325,010	55,410,010	34,572,642	11,875,568	46,448,209	101,858,219	42,275,000	13,076,375	55,351,375	1.84
2004	36,840,000	12,691,186	49,531,186	33,182,397	10,776,033	43,958,429	93,489,616	38,650,000	10,823,285	49,473,285	1.89
2005	34,325,000	10,310,879	44,635,879	31,949,389	9,790,885	41,740,274	86,376,153	35,815,000	8,762,918	44,577,918	1.94
2006	31,605,000	8,093,846	39,698,846	30,522,581	8,842,728	39,365,309	79,064,155	32,615,000	6,844,935	39,459,935	2.00
2007	26,895,000	6,049,477	32,944,477	29,274,914	7,937,245	37,212,158	70,156,635	27,650,000	5,075,000	32,725,000	2.14
2008	23,915,000	4,291,676	28,206,676	27,998,291	7,069,697	35,067,988	63,274,664	24,440,000	3,565,183	28,005,183	2.26
2009	18,040,000	2,704,629	20,744,629	25,709,482	6,243,993	31,953,475	52,698,104	18,255,000	2,275,678	20,530,678	2.57
2010	11,840,000	1,566,143	13,406,143	23,322,792	5,495,186	28,817,977	42,224,120	11,860,000	1,309,513	13,169,513	3.21
2011	9,380,000	851,773	10,231,773	21,574,349	4,820,856	26,395,205	36,626,978	9,300,000	677,205	9,977,205	3.67
2012	4,020,000	294,258	4,314,258	19,618,343	4,203,670	23,822,013	28,136,270	2,865,000	178,148	3,043,148	9.25
2013	780,000	65,240	845,240	18,388,540	3,652,945	22,041,484	22,886,724	460,000	22,540	482,540	47.43
2014	320,000	21,120	341,120	18,271,267	3,139,980	21,411,247	21,752,367				
2015				18,222,338	2,630,639	20,852,977	20,852,977				
2016				17,911,950	2,122,767	20,034,717	20,034,717				
2017				17,118,124	1,624,349	18,742,473	18,742,473				
2018				14,636,064	1,147,390	15,783,454	15,783,454				
2019				11,244,273	741,649	11,985,922	11,985,922				
2020				8,582,515	430,091	9,012,606	9,012,606				
2021				5,196,890	203,144	5,400,033	5,400,033				
Totals	\$ 277,920,000	\$ 80,230,949	\$ 358,150,949	\$ 425,222,027	\$ 99,360,247	\$ 524,582,274	\$ 882,733,222	\$ 286,605,000	\$ 67,975,743	\$ 354,580,743	2.14

(1) Numbers may not add to totals due to rounding.

(2) Includes scheduled payments on Literary Fund Obligations held in 1987 Reserve Fund as of January 1, 2002 and on Literary Fund Obligations in the principal amount of \$43,096,870.54 transferred to the Authority on January 1, 2002 and \$31,662,015.27 on July 1, 2002.

(3) Total Coverage equals Total Income divided by Total Debt Service.

(4) Debt service shown includes interest due on July 1 of the indicated calendar year and principal and interest due on January 1 of the next calendar year.

VIRGINIA PUBLIC SCHOOL AUTHORITY
1991 RESOLUTION INCOME
As of June 30, 2002

(A) Income Available to Pay Debt Service					
	Local School Bond Income	Debt Service Reserve Cash Flow (1)	(A) Total Income	(B) Total Debt Service Requirements	Debt Service Coverage (A) / (B)
8/1/2002	\$ 37,593,829	\$ 3,217,872	\$ 40,811,701	\$ 40,681,363	100.32%
2/1/2003	10,224,442	1,394,937	11,619,379	11,416,820	101.77%
8/1/2003	36,992,128	2,804,972	39,797,100	39,671,820	100.32%
2/1/2004	9,460,839	1,356,239	10,817,078	10,624,803	101.81%
8/1/2004	36,365,828	2,823,737	39,189,565	39,054,803	100.35%
2/1/2005	8,658,735	1,316,008	9,974,743	9,791,554	101.87%
8/1/2005	35,716,577	2,828,988	38,545,565	38,421,554	100.32%
2/1/2006	7,843,551	1,274,617	9,118,168	8,943,364	101.95%
8/1/2006	35,042,726	2,837,377	37,880,103	37,753,364	100.34%
2/1/2007	7,055,307	1,231,884	8,287,191	8,122,784	102.02%
8/1/2007	34,319,533	2,802,849	37,122,382	37,002,784	100.32%
2/1/2008	6,301,202	1,188,991	7,490,193	7,338,401	102.07%
8/1/2008	33,626,352	2,705,629	36,331,980	36,218,401	100.31%
2/1/2009	5,556,043	1,147,347	6,703,389	6,564,858	102.11%
8/1/2009	33,022,789	2,547,708	35,570,497	35,474,858	100.27%
2/1/2010	4,798,937	1,108,871	5,907,808	5,781,952	102.18%
8/1/2010	32,418,276	2,541,029	34,959,305	34,856,952	100.29%
2/1/2011	4,033,908	1,069,529	5,103,437	4,990,648	102.26%
8/1/2011	31,470,994	2,854,890	34,325,885	34,215,648	100.32%
2/1/2012	3,270,823	1,021,219	4,292,041	4,192,743	102.37%
8/1/2012	30,796,095	2,519,802	33,315,897	33,227,743	100.27%
2/1/2013	2,502,143	979,471	3,481,614	3,395,879	102.52%
8/1/2013	30,226,315	2,383,275	32,609,590	32,525,879	100.26%
2/1/2014	1,725,852	934,888	2,660,740	2,594,282	102.56%
8/1/2014	24,329,947	7,995,740	32,325,687	31,929,282	101.24%
2/1/2015	1,109,864	733,418	1,843,282	1,785,213	103.25%
8/1/2015	23,915,223	2,035,420	25,950,643	25,685,213	101.03%
2/1/2016	488,525	702,221	1,190,745	1,145,628	103.94%
8/1/2016	13,574,622	12,018,111	25,592,733	25,010,628	102.33%
2/1/2017	131,740	393,065	524,805	499,381	105.09%
8/1/2017	4,836,740	9,939,153	14,775,893	14,294,381	103.37%
2/1/2018	-	142,868	142,868	133,838	106.75%
8/1/2018	-	5,390,543	5,390,543	5,113,838	105.41%
Total	<u>\$ 547,409,882</u>	<u>\$ 86,242,668</u>	<u>\$ 633,652,550</u>	<u>\$ 628,460,653</u>	

(1) Represents principal and interest income. For each series of Bonds, interest income is computed at the lesser of the arbitrage yield on the applicable series of Bonds and the investment rate reasonably estimated by the State Treasurer. The corpus of the Account is drawn down as the Debt Service Account Requirement declines.

VIRGINIA PUBLIC SCHOOL AUTHORITY
Richmond, Virginia

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